

The Territorial Dimension: The Component of Business Strategy that Prevents the Generation of Social Conflicts

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Abstract Taking advantage of economic opportunities has led to numerous conflicts between society and business in various geographies of the world. Companies have developed social responsibility programs to prevent and manage these types of problems. However, some authors comment that these programs lack a strategic vision. Starting with the Working with People model, created for the field of rural development planning, this paper proposes a methodology to prevent the generation of social conflicts from business strategy: the territorial dimension. The proposal emphasizes that local development support prevents the generation of social conflicts. Finally, an experience in Peru, a country that has been characterized in recent years by high economic growth and also by the presence of social conflicts that have stopped entrepreneurship is analyzed.

Keywords Social conflicts · Business strategy · Local development · Social responsibility · Territory

Introduction

The exploitation of economic opportunities by enterprises has generated conflicts with society in various parts of the world (Barber and Jackson 2012; Bebbington and Bury

2009; Calvano 2008; Kapelus 2002; Mutti et al. 2012). Researchers have described the causes of these social conflicts, highlighting some isolated measures to prevent such situations. However, they do not present a methodology for designing a strategy to help prevent the generation of social conflicts (Sethi et al. 2011; Kemp et al. 2010; Lotila 2010; Barber and Jackson 2012; Calvano 2008).

On the other hand, companies have developed social responsibility programs in order to avoid and manage such problems. However, Porter and Kramer (2006) comment that these programs are not designed with a strategic vision: their actions fail to give businesses an effective and impactful competitive edge in society. Furthermore, as noted by Garriga and Mele (2004), many of the current theories on corporate social responsibility lack a comprehensive vision that connects the different dimensions: strategic, political, social, and ethical.

In response to this problem, this article aims to propose a methodology that integrates these dimensions to prevent the generation of social conflicts from business strategy: the territorial dimension. This proposal combines the theories of corporate social responsibility (Porter and Kramer 2006; Wood and Lodgson 2002; Sethi 1975; Swanson 1995; Gladwin and Kennelly 1995; Mele 2002) as it considers that local development must be at the core of the business strategy. Therefore, in search of the town's common good, in particular through the development of personal skills and local capabilities, strategic business variables—such as meeting deadlines or continuity of operation—are assured.

The proposal is based on the theoretical framework of the Working with People—WWP model which integrates the strategic, political, social, and ethical dimensions in the projects' design and management (Cazorla et al. 2013). This model was created for the field of rural development

planning, under the criteria of actively involving the population, and has been validated through 25 years of work experience in different contexts (Cazorla et al. 2005, 2008; Sastre-Merino et al. 2013). It has a territorial approach and focuses on the development of personal skills and local abilities, through a detailed diagnosis of the strengths and needs of the territory, and working directly together with the affected population.

Thus, the territorial dimension of the strategy ensures that companies' social development programs obey a strategic business perspective, and that they do not involve activities unless they have an effective impact on society and the competitiveness of the company (Porter and Kramer 2006). In this sense, this paper also reveals that the company involved in a territory is jointly responsible for the development of the local population (Yepes and Aranguren 1998; Wood and Lodgson 2002; Mele 2002); it responds to the social and ethical dimensions of some theories of corporate social responsibility (Swanson 1995; Gladwin and Kennelly 1995); and suggests that support for such development helps prevent the generation of social conflicts that can damage business sustainability.

The proposal is validated with the experience of the company Graña y Montero (GyM) in the 'SEDAPAL, Lot 7' project, developed in a marginal area of the city of Lima, Peru, a country that has been characterized in recent years by its high economic growth and the social conflicts that have halted various business initiatives. The case study describes a project involving extensive civil construction that becomes a complex social environment and that cannot be isolated from the intervention of any social group, as it is carried out in a big area with public access. Furthermore, this complexity of the social environment was such that a similar project for another company had to be abandoned due to social conflict (Jaimes 2013).

The case study analysis shows how a strategic management approach that takes the territorial dimension into account enabled the project to be completed successfully. Specifically, it contains a detailed description of the social environment and shows the design of the territorial dimension of the strategy: the definition of the territory, recognition of the population knowledge, and context characteristics, the plans for the development of personal skills and local capabilities, the use of the company's internal capabilities in this development, and a description of the social management. The results of the application of this methodology are also collected.

The paper has been structured as follows: after this introduction, a theoretical section summarizes the importance of social conflicts to the success of a company's activity and the causes that originate such conflicts. The "Working With People (WWP): A Theoretical Framework to Prevent Social Conflicts" section explains why the

Working with People model is considered to be a theoretical framework that can prevent social conflicts. The "The Territorial Dimension" section proposes the incorporation of the territorial dimension into the definition of the business strategy, the "Elements of the Territorial Dimension" section describes the elements of the territorial dimension, and the sixth guides the process of managing the territorial dimension. The previous concepts are applied to a case study in the "The territorial dimension of the strategy in the SEDAPAL Lot 7 Project, Graña y Montero (GyM)" section. The "Conclusions" section covers the conclusions of the paper and the future lines of research.

Social Conflicts

In many parts of the world, a friction between the strategy of a company and the lifestyle and needs of the communities living in the intervention area is observed (Barber and Jackson 2012; Bebbington and Bury 2009; Calvano 2008; Kapelus 2002; Mutti et al. 2012). This friction can lead to social conflict, which can be defined as the coexistence of aspirations, interests, and worldviews that cannot occur simultaneously, or that actors do not perceive as matters of simultaneous satisfaction (Franks et al. 2014).

This dissatisfaction can generate violent confrontations between the company and the community (Kemp et al. 2010). Hence, relations between companies and communities are described as a battlefield: with companies facing communities adopting a confrontational discourse (Kemp et al. 2010).

Social conflicts can arise for various reasons. For some authors (Sethi et al. 2011) there are three elements that promote the development of social conflicts. First, the nature of the industry, when its operation generates a severe impact on the environment, polluting the water, air, or land. As Urkidi and Walter (2011) point out, the development and the economic benefits generated by companies do not fully offset the environmental impacts caused. For diverse populations in Argentina, Chile, Peru, Bolivia, Brazil, Colombia, Ecuador, and Indonesia, among others, it is not enough that mining companies only make contributions of compensation or remuneration in exchange for the intervened lands.

Secondly, the mining industry in particular is often associated with human rights abuse and mistreatment of indigenous communities and their land rights. Beyond the payment of a fair price for their land, for the mindset and worldview of some communities that is not enough. As Urkidi and Walter (2011) recall, loss of inhabited territory is an aspect of immeasurable dimensions. For example, the mining company Freeport McMoran, which conceived the land only as a resource in its operation in Indonesia, faced

with papuan conception. For this population, the land was an essential part of their being: it was not a resource to be exploited, but a physical-spiritual treasure to enjoy and protect. Similarly, according to Urkidi and Walter (2011), the communities surrounding the Pascua-Lama project in Chile, increased their level of opposition when they perceived that the mining project threatened the only indigenous aspect remaining: subsistence of farming and grazing practices.

This factor of social conflict is also reflected in enterprise's loss of credibility (Lotila 2010). In fact, the frequency of environmental accidents caused by mining operations, and a reactive and tardy attitude amongst firms with regards to these operational errors contributes to this loss of credibility (Barber and Jackson 2012; Lotila 2010). In addition, in an attempt to gain approval for an investment project, companies carry out some actions that are perceived with suspicion by the affected communities. In a survey of Argentine stakeholders, it was discovered that there was a perception amongst them that companies used their corporate social responsibility programs as rhetoric to promote their image, without being committed to deliver the agreed benefits in the long term. They also felt that the activities of these programs were reactive; trying to mitigate social resistance; and that they did not generate profound changes in communities, reflecting only a symbolic attitude of companies regarding their responsibilities. Indeed, some objective aspects of these broken promises were: the big difference between local labor demand in the operations phase of the mine and the construction stage; the slowness of mining companies to meet the needs of communities, which resulted in a lack of tangible benefits; the late delivery of royalties to communities; and low tax burden compared to the damage caused to the environment (Mutti et al. 2012).

Something similar happens when commitments to achieve community approval at some stage of the project do not materialize. In this case, communities feel cheated, and levels of distrust increase (Rees et al. 2012).

The third element is the corruption that exists in countries with unstable political systems: the presence of corrupt governments and underdeveloped regulatory frameworks are complex challenges for industry, which in turn faces the discontent of the affected communities.

For other authors (Lotila 2010; Young 2002), one of the factors that has led to social conflicts over the last decade has been the inadequate analysis of the context in which operations will be carried out. Context means the history of the region or country; existing interest groups; the level of acceptance and credibility of the authorities; the representativeness of communities; and any external environment to the operations of the company that can influence the installation of the operation in the target area.

This inadequate analysis of the context is often due to the cultural distance between the company and the affected territory, which is especially relevant in international investments (Lotila 2010). The cultural gap reflects how the members of a group think compared to another group. In this regard, Kemp et al. (2010) point out that there was not a procedure for resolving incidents in any of the six mining operations studied, in which they took into account cultural and personal aspects of communities or indigenous peoples: no attention was given to the customs of the surrounding populations. This cultural distance is also reflected in communication strategies. Companies often put forward technical arguments that are not understood by local communities regarding the environmental impact of the operation, or project benefits (Lotila 2010).

In addition to the cultural distance, another contextual factor that catalyzes social conflict is institutional distance (Lotila 2010). This author defines institutional distance as the difference or similarity between institutional areas: regulatory, normative, and cognitive between the country of the parent firm and the host countries. It is common for companies in a country or region to consider relevant aspects that are not in these territories, and vice versa.

The power imbalance also influences the creation of social conflicts. According to Calvano (2008), while companies use advertising and other advanced media to spread their message, communities, who lack the same financial resources to publicize their position, make their presence felt through protests and blockades.

On the other hand, this power imbalance is also reflected in how businesses define what is important. According to the study by Kemp and others (2010), in mining operations it is common practice to classify the seriousness of incidents according to the criteria that the company previously defined. Similarly, the low level of coordination in the distribution of benefits between the company and the communities falls into this category. The mining companies themselves are the ones that determine the benefits that communities will perceive, and this decision may face a difference in opinion in terms of the benefit that communities want from their territory. In the case of Pascua-Lama, communities prioritized profits that respected their traditions and environmental impact (Urkidi and Walter 2011).

Something similar happens in the definition of social care plans. For Mutti et al. (2012), social responsibility programs amongst mining companies are perceived as a mere sponsorship when companies underestimate the knowledge and skills that local communities have to prioritize their needs. In these cases, the companies impose their own vision of what is appropriate for the community, and therefore communities perceive companies as inflexible and unable to commit to the affected people or to

incorporate their vision in the design of their development support programs.

This collection of drivers of social conflict suggests that the economic arguments and distributive dimensions are not the focus of communities' complaints. Such populations are rather focused on the dimensions of recognition and participation. While governments and companies argue in terms of revenue and compensation payments for externalities, communities are demanding greater participation in decision-making, and a recognition of the relationship with their culture and environment.

This situation seems to suggest, therefore, that a priority element in the business strategy should be the most detailed and careful attention to their relationship with communities, to the point of involving them in project decisions, through a genuine interest for their improvement and development.

Working with People (WWP): A Theoretical Framework to Prevent Social Conflicts

The WWP model was proposed by Cazorla et al. (2013) for planning local development projects as a response to the new postmodern sensitivity, calling for direct participation amongst beneficiaries. From an academic perspective, this model is a synthesis of participatory logic working models, planning as social learning, theories of collaborative participation, formulation and evaluation of methodologies and plans for rural development, and project management models (Cazorla et al. 2013).

For 25 years it has been applied in several experiences in rural development, especially in areas related to LEADER European policy (Cazorla et al. 2005, 2008; Cazorla and De los Ríos 2012; De los Ríos et al. 2011) and emerging countries (Cazorla et al. 2013; Sastre-Merino et al. 2013). Indeed, the emphasis on the joint work with the population and its focus on the development of personal skills and local capabilities makes it an appropriate framework for the prevention of social conflicts.

WWP is a planning model that focuses on the support of the population in the definition and implementation of the development strategy. It has been successful in social management, because it is based on criteria that respond to human nature. Specifically, this model is based on the following principles and values (Cazorla et al. 2013):

Respect and primacy of the people. People are the main element in a development strategy and in designing innovative techniques. Thus, those who promote a project under these characteristics have a commitment to the rights of the people, their traditions and cultural identity. This respect is

also reflected in the negotiating and participatory attitude, and social integration.

Achieving welfare and sustainable development. Efforts and technical investments are aimed at meeting the needs of the local population. The actions seek to improve the quality of life of citizens, growth of the local economy, strengthening of their skills, and promotion of jobs.

Promoting bottom-up and multidisciplinary solutions. The principle of subsidiarity is present in all phases of the project, i.e., project managers are the agents of the beneficiary population. As their development depends on their participation in the project, it seeks to strengthen the skills, knowledge, and experience of the agents. This principle also calls for the creation of networks that enable people to acquire a proper knowledge of the town or area, and the actions of multidisciplinary teams to help find the best solutions to meet the needs of the population.

Endogenous and comprehensive approach. This model requires a global vision and multi-sector interventions that involve the participation of project managers and socio-economic local actors. Thus, the evaluation of results is carried out from various perspectives: technical, economic, social, and environmental.

Furthermore, the main features of this model are also derived from these principles and values:

A territorial approach, which enables the identification of the area and proposal of homogeneity and cohesion criteria to be followed at all levels. Furthermore, it helps to determine indigenous resources and local potential in a cyclical diagnosis process (De los Ríos et al. 2002). This territorial orientation becomes the main way for achieving social integration, counteracting the undesirable effects of a functional orientation. The integration is performed, therefore, for the territory, and is embodied in a strategy that systematically integrates actions and sectors (Fontana 2012a).

A social structuring, which is necessary for personal interaction between members of society and associativity. This feature is reflected in actions that affect the creation of structures that promote interaction between social actors: public agents, business representatives, and citizens or families; and in the promotion of capacity building for personal interaction: dialog, respect for the opinions of others, knowledge of cultural and personal environment among social actors (Fontana 2012b).

The improvement of local productive competitiveness. The generation of personal skills and local capabilities should be reflected in improved local competitiveness. It is necessary to stimulate and maintain the interest of the affected population in the activities of the intervention. These actions generate economic resources that are available to beneficiaries, and allow the generation of immediate changes in their lifestyles, which however

small, are always appreciated. In addition, personal perception of this improvement in productive competitiveness makes for an effective way of generating a sense of confidence amongst the population in their own development (Fontana 2012a).

With these elements, this model ensures that the people play a leading role with an attitude that positively impacts local development. Therefore, if the social management of the company focuses on these goals it will be forced to make a proper analysis of the context, to pay attention to the commitments made to communities, it will take care of the impact on the environment and respect the rights of the local population and ethics. Consequently, it will be able to prevent the generation of social conflicts.

Having described this theoretical framework, it is possible to move on to the description of a proposed application of the WWP model in the business environment: the territorial dimension, enabling the design of a business strategy capable of preventing the generation of social conflicts.

The Territorial Dimension

To prevent the generation of social conflicts, this paper proposes that the management of community relations is incorporated in the definition of business strategy as the territorial dimension, which includes the analysis and management of social and environmental variables according to the WWP model: respect and primacy of people, seeking of welfare and sustainable development, a multidisciplinary solution and a bottom-up effort, and an endogenous and comprehensive approach.

Thus, the definition of strategy offered by several authors (Andrews 1971; Ansoff 1965; Chandler 1962; Hofer and Schendel 1978; Miles et al. 1978)—as the process by which managers evaluate opportunities in the external environment, internal capabilities and resources in a horizon of three to 5 years, and determine targets and action plans to achieve those goals—would be extended by the analysis of the impact that business activities have on the physical environment and population inhabiting the territory involved.

This approach clearly highlights the importance that social or environmental issues may have on the sustainability of the initiative. It also ensures that senior management and technical departments are aware of the consequences of their decisions on these variables within the territory, which in some cases are critical to business sustainability. In this regard, a senior executive of a major mining operation in Peru, a country that is known for being one of the major mining producers in the world and also by its protests, destruction of property and the suspension of

mining developments caused by social conflicts, commented: “mining in Peru is impossible without giving considerable attention to relations with communities” (Rees et al. 2012, p. 7). The same authors comment that the success of a business initiative depends both on the social aspect and the technical side of the process: [the social aspect] “has become a strategic interest, and it is as important as the operations or other aspects” (p. 7).

Today, many companies manage their relationships with communities through corporate social responsibility programs (Paladino and Willy 2007). However, many of these programs are not designed strategically (Porter and Kramer 2006). These authors warn that an approach solely focused on the tension between business and society creates a rationality that does not link these plans with the strategy and operations of the company, nor the location where it operates. Therefore, they add, they do not identify, prioritize or focus on the most important social issues or on those that could provide the most benefits for society. In this sense, they conclude that the disconnect of these plans with the strategy of the firm does not provide, therefore, neither a significant social impact nor a long-term strengthening of the competitiveness of the company. The territorial dimension of the strategy would also allow the identification of opportunities in terms of relations with communities or local people to help improve the competitiveness of the company and representing at the same time, contributions to local development.

In other words, but with the same meaning, Carroll (1996) proposes to make the strategic vision multi-beneficiary, i.e., mainstream attention of stakeholders in the business strategy, because for this author the attention of stakeholders is an ethical obligation. Meanwhile Lotila (2010) suggests that stakeholder management of this nature identifies, analyzes, and meets their expectations and needs in a coordinated manner with corporate objectives. For Collins and Porras (1997), firms that pursue a higher purpose than simply the maximization of wealth are able to motivate their employees and other stakeholders. Thus, from a strategic perspective, such management will bring competitive advantages; and from a moral perspective, the obligation of the company to work toward social welfare would be met.

The territorial dimension offers a chance for recognition and participation of the population. Thus, this methodology involves local people in decisions regarding company activity, through a company’s genuine interest for their improvement and development. Consequently, the territorial dimension as a component of the strategy can help prevent social conflicts, because it recognizes and engages those affected by the intervention, makes a proper analysis of the context, especially reducing cultural and institutional distance, and focuses on the development of the local

population based on opportunities arising from their own abilities and the needs of their operation.

Elements of the Territorial Dimension

To achieve these objectives, the design of the territorial dimension, which based on the WWP model is characterized by a territorial approach, the promotion of social structure and influence on improving local competitiveness, is translated into a definition of the affected territory, knowledge of the population and the environment, development of personal skills and local capabilities, and use of the internal capabilities of the company.

Territory

The objective of this stage, to be performed at the same time as the first contact with the area of intervention, will be a thorough diagnosis to pinpoint the territory, the affected population and the physical environment. The proper definition of the geographical area compromised by the intervention is crucial. To prevent the generation of social conflicts, it is important not to marginalize any community that is affected in some way, by business intervention. The geographical demarcation will also allow for the identification of the region's potential. As the aim is to support local development, this knowledge will be essential in order to implement the action plans.

Population Knowledge and Context Characteristics

A proper understanding of the population and the physical environment help to prevent social conflicts. In this sense, Mitchell et al. (1997) explains that the degree of precision with which the directors of a company are able to perceive the spectrum of stakeholders (the populations and natural areas that are relevant, and therefore of interest) depends on the measurement made of the environment and their own values. In this sense, the author explains that the perception that a manager has in terms of a stakeholder's attributes (his/her power and legitimacy or urgency) will be critical when gaining insight about the relevance of that stakeholder.

In order to strategically manage corporate relations with the affected population and the physical environment, management will be required not only to analyze the venture from an economic perspective, but also a cultural, social and political one. Therefore they must have a detailed understanding of the customs, values, needs, and expectations of the population regarding the company's business.

In essence, this is to put a name and a face to stakeholders, rather than simply analyzing their particular roles.

What matters is to have a real and concrete understanding of the stakeholders, i.e., know who they are and the circumstances in which they find themselves. Only through this deeper understanding, can the corporation create goals and strategies that have their support.

We agree with Freeman and Mc Vea (2001) that successful strategies integrate different perspectives rather than confront them; however, we also believe that trying to satisfy all stakeholders will not always be feasible or strategic, and less when interest groups seeking only their own benefit and not the common good are presented. When this situation occurs, it will be advisable to identify and prioritize the legitimate stakeholders and those open to rational dialog, and focus on their needs, while establishing, by extension, terms of attention to other stakeholders.

However, with this recommendation for dialog with stakeholders, as Crane and Livesay (2003) underline, there are risks associated with this dialog. The dialog can have crippling effects, preventing consensus or dividing the parties. On the other hand, risks can also come from a set of challenges that the company could not yet be familiar with, and are beyond the traditional areas of regulation and control: dealing with an indigenous population and their traditional land rights; abuses of human rights; or corruption involving local authorities and political leaders.

Along with the stakeholders and their characteristics, it is also necessary to identify emerging problems, missing infrastructure, potential local suppliers, and the most appropriate communication methods. On the other hand, this knowledge will require time, resources, and having the appropriate staff. Furthermore, it is advisable that this analysis occurs before any technical intervention in the territory.

The analysis of the population and its environment is particularly relevant in international business initiatives where the company is challenged not only by increasing social pressure but also by an institutional distance. That is why, as Wood (1991) points out, in international business, the understanding of the environment is even more critical, because the stakeholder map is diversified, and expectations with regards to business and its role in society multiplies exponentially. Not only is the headquarters of the multinational usually geographically distant from its subsidiaries, but it also has to overcome the impacts of cultural and institutional distance between the environment of the headquarters and the environment in where it operates (Wood 1991).

Development of Personal Skills and Local Capabilities

The territorial dimension calls for actions that affect the development of the local population at a personal level.

This involvement of the company in local development is the key to this proposal in order to prevent social conflicts.

It should be noted, first, that in human society there is a joint responsibility of its members for the development of everyone (Yepes and Aranguren 1998). In the case of a business project, the challenge is that this project represents the use of an opportunity for all stakeholders: local authorities, social associations, government, unions and private enterprises (Kooiman 2003). Only then will they feel jointly responsible for its success.

Secondly, local development requires the involvement of the population in decisions. It is not possible to achieve local development without assuming responsibilities in the locality. Responsibilities are only assumed if there is involvement in decision-making. In this regard, the mentality that considers the contributions of local people as irrelevant should be eradicated (Friedmann 1981). On the one hand, they have valuable knowledge, which comes from their experience, their traditions, and their proximity to the geographical and physical environment, and on the other, they also have some assets and capabilities.

Third, the appropriate connector for participation is a rational dialog. It is the medium that allows interaction between the parties, and consequently the channel to share respective knowledge (Kooiman 2003, 2008; Yepes and Aranguren 1998). Business managers require local knowledge, and the population requires expert knowledge. So in some circumstances, the means for fluid communication will have to be provided: language and experts in social management.

Rational dialog also requires the parties to have a genuine concern for the solution of the potential impasses. When this occurs, there is openness to the other's arguments; when this is absent, each party seeks its own interest and there are not areas of understanding.

Fourth, the interaction must be based on ethical values of human nature. When this happens, unprecedented creative solutions are generated (Kooiman 2003). Ethics is the great social connector (Sellés 2006), so that the solutions or decisions made under this criterion leads to personal development of different social actors. Values such as honesty, truthfulness, responsibility, diligence, acceptance of people, and spirit of service should be the basis of relations between the social actors; and they must be promoted as essential elements of the various action plans.

The personal development which is sought may arise from several perspectives. One of them may be to improve the employability of the population through the development of technical skills and workplace safety standards. When circumstances require so, the training scenario should be complemented with some improvements in the infrastructure of the community. Such actions allow the

proactive participation of the population in their definition and implementation.

Improving the employability of local people should aim to fill the positions that the business' local operation demands. In some communities, there are many expectations regarding the possibility of employment, even temporary, in the company involved in the area (Rees et al. 2012). These positions must be filled, however, taking into consideration the technical requirements for such positions.

The design of these action plans should also focus on the development of local capabilities: Local partnerships, promotion, and strengthening of local enterprises. All these actions will have a positive impact on family and the local economy, and therefore a motivating effect on the population, generating a virtuous circle of development.

Use of the Company's Internal Capabilities

Kapelus (2002) states that if companies use their internal capabilities—physical, financial, intellectual, or human resources—to show the community that their needs can be met and best resolved through the operations of the company, they could overcome many obstacles and get on with business.

The company's contribution to local improvement can manifest itself on two fronts, both of which are important: improving welfare, which solves basic and short-term needs; and sustainable development of the town, which guarantees the quality of life for residents, even when the company's operation is no longer present in the territory.

For example, Industrias San Miguel del Caribe, a Peruvian company that operates in the Dominican Republic, spent 40 % of the operation's advertising budget in that country on a prevention campaign when the cholera epidemic arose in this country. In this case, company executives made its communication platform available to health authorities, including billboards, posters on the premises of its 60,000 customers, and ads on over 200 radio stations with national coverage which had a contract with the company (Fontana 2013).

In many cases, however, people want to see a genuine commitment from companies with regards to the territory where they operate. Grunig (1993) states that when relationships with communities are implemented in an ethical and responsible manner, they have the potential to help build understanding and reduce potential conflicts. In this sense, proper diagnosis of the territory will facilitate the company to define accurately in what ways it can contribute to each type of improvement; and at what times and for how long it will act.

On the other hand, this element of the territorial dimension serves to warn that the company requires no complex or unusual solutions to their own capabilities. The proposal

invites one to look inward of the company, to the knowledge and experience it has and that can be shared with the population.

Lastly, to help resolve broader problems, entrepreneurial efforts should be articulated together with public administration, politics and other social actors present in the territory. Warhurst (2005) lists several examples of how companies are working to address social problems that cannot be solved by a single actor or institution. This author points out, for example, the participation of DHL in the Global Disaster Resource Network, and the Global Digital Divide Initiative and The Global Health Initiative.

Management of the Territorial Dimension

The attention of the territorial dimension requires criteria and a particular structure. A team of social science professionals is advisable in order to manage relations with communities. This team must gain the trust of communities, but at the same time, it must be able to translate the needs of communities in terms that are reasonable for senior management and technical teams (Rees et al. 2012).

The first contact with people must be led by the social management team. As this team requires time before technical activities start, this can cause tensions between the time the social management team needs to handle the concerns of communities and the deadlines that the technical team manages under technical or financial criteria (Rees et al. 2012).

In some cases, the intervention strategy has to be validated or adjusted according to certain circumstances. For this reason, incidents management process is a critical key, because it allows for the identification of issues and analysis of patterns and trends requiring urgent solutions. Acting in this way, thus prevents the problem escalating to levels beyond the company's control.

Furthermore, it is important that the social management team is capable of making decisions: communities and other stakeholders must feel that their concerns are taken into account, and can expect an answer within a short period. Rees et al. (2012) comment that delays in decisions may be seen by communities as misconduct. In this regard, companies should also avoid what Kemp and others (2010) point out, whereby operations, exploration, processing, and environmental management departments delegate incidents or communities' concerns to the social management team, without their involvement. They should also feel responsible for identifying potential social conflicts.

With regard to the action plans for managing the territorial dimension, the WWP model requires five key

characteristics: a social learning, negotiating attitude, a political dimension, a normative dimension, and an innovative dimension.

Social learning means the openness of sensing the intrinsic qualities of others, and understand their views. It seeks to facilitate the exchange of knowledge between social management teams and the population. In addition, knowledge originated in this exchange must be able to change action plans (Friedmann 1993). Therefore, it requires the social management team to develop skills to communicate with the affected population and be perceptive to their opinions and ethical standards (Cazorla 2007).

The social management team should also be aware that the real protagonist of local development is the affected population itself. They are the main subjects of learning, and who will determine the speed of change. Therefore, it is essential that they make their own decisions, and that management will not be impatient (Cazorla 2007). Mere interaction between the company and its stakeholders is not enough and does not ensure that social pressure is mitigated; the strategy must be based on the recognition of the role that these stakeholders have on their development. Recognition is particularly necessary for indigenous communities. For many years, these communities have demanded recognition and protection of their cultures, livelihoods, and land rights (Urkidi and Walter 2011).

The negotiating attitude aims to create a channel through which people can participate. This channel should be implemented from the first contact with the territory. Although it requires time and requires the social management team to listen politely, it is necessary so that the actions of the business are perceived as being of shared interest. This will require having the flexibility to change initial intervention plans and even the original objectives, when it is perceived that doing so is better for everyone as a whole (Cazorla 2007).

This negotiating attitude will essentially have two fronts: the political level and the cognitive level. With regards to the political level, territorial characteristics play a determining role. In deprived towns that lack basic services, it will be convenient to support local problem solving. However, these actions must be co-financed by the community itself, and in those cases where the scale requires it, the participation of national entities will also be needed. Thus, the role of the social management team will be more that of a coordinator that facilitates the management of resources from various sources, including public ones (Cazorla 2007). At the cognitive level, the contrast between the expert knowledge of the entrepreneurial initiative and the experience knowledge of the local population is a very suitable

medium for interaction between these actors. Thus, in face to face negotiations between the social management team and the affected population it will be possible to find solutions to specific problems (Friedmann 1993). In addition, systems theory proposes that the development of collective negotiating skills optimizes networks (Freeman and Mc Vea 2001).

On the other hand, according to several authors (Cash et al. 2003; Reynolds et al. 2007; Mitchell 2006; Clark and Dickinson 2003; Kates and Dasgupta 2007; Clark 2007), if knowledge must be relevant, credible, and legitimate in order to be applied practically, that knowledge must be created in conjunction with stakeholders. In the midst of conflict, knowledge is effective depending on its legitimacy amongst a wide variety of stakeholders, which means that co-producing knowledge between stakeholders whose interests are opposed will be a challenge (Bebbington and Bury 2009).

The political dimension is intended to prevent an inadequate perception of the company in the town: being perceived as a donor. Therefore, the business organization should encourage the participation of the political arena in local development activities that are proposed. Furthermore, the viability and sustainability of local efforts needs to be complemented by coherent public policies (Cazorla 2007). On the other hand, sometimes it will be necessary to ally with authorities and political powers to overcome exogenous difficulties (De los Ríos and Salvo 2007). Given these difficulties, the media can also play an important role (Plumptre and Graham 2000).

The normative dimension seeks to prevent abuses of power. Action plans should be designed and run under ethical criteria that are based on human nature. In addition, ethical values are necessary for the emergence of mutual trust and a deep link between business leaders and the affected population (Cazorla et al. 2013).

At all times, the corporation must promote the growth of values such as honesty, diligence and respect for others in the locality (Fontana 2012b). Respect for people should also be reflected in the respect for nature.

The innovative attitude leads to awareness that action plans capable of breaking myths and routines are needed; an openness to new ways of acting, in a more agile and flexible way is required, and more open to the needs and suggestions of local people and other stakeholders (Cazorla et al. 2013). The fact that the management team is a mobilizer of social resources of all kinds, implies an ability for mediation, commitment, and the necessary preparation to take risks (Friedmann 1993).

In the previous sections, the territorial dimension has been described, as well as the elements that compose it and how it should be managed. In the next section, a case study is presented in order to validate this proposal.

The territorial Dimension of the Strategy in the SEDAPAL Lot 7 Project, Graña y Montero (GyM)

The territorial dimension of the strategy is analyzed in the case study project “Secondary Waterworks and Sewerage for the District of Puente Piedra—Lot 7”.¹ The project was tendered for execution in August 2006 by the firm ‘Servicio de Agua Potable y Alcantarillado de Lima (Service water and Sewer of Lima, SEDAPAL), a state-owned company governed by private law, and delivered to the construction company Graña y Montero (GyM).

The project benefited 150,000 inhabitants of the mentioned areas, had a budget of about 21.4 million US dollars and ran between 1 October 2006 and 25 November 2007. The project included the construction of reservoirs and water tanks, sewage pumping stations, installation of secondary water and sewerage networks, and the respective domestic connections.

The analysis method is based on interviews with the GyM social management team officials that were responsible for the design and implementation of social management.

Description of the Local Social Context

Puente Piedra is a peri-urban town in Lima, the country’s capital. Its location responds to a centralized urbanization process that has occurred in Peru in the last 30 years. The local population is 233,602 inhabitants (INEI 2007), with a predominantly young population: 88 % are under 44 years old. The population is mainly composed of immigrants from the northern provinces of the country. As a result of this diversity of origin, different cultural expressions coexist in the town.

The local population growth has been rapid, but messy. The expansion has been informal, through invasions of uncultivated land, constituting the various sectors. As a result of these invasions, the land is not even, nor does it have the required utilities. In addition, access roads had just been established, and were often interrupted by perimeter fences or even rural properties.

The economically active population (EAP) accounts for 52.08 % of the working age population. At the same time, the female population is the most representative of the inactive population (INEI 2007). The main occupation of the people is industrial activity, commerce, and

¹ Project developed in Puente Piedra district, Lima, Peru, specifically in these sectors: La Antártida, Cercado de Puente Piedra, Los Sureños, La Grama and Alameda Norte.

independent activities. The employed EAP represents 54.2 % of the working population (INEI 2007).

Because population growth has not been accompanied by a growth in the local economy, there is a lack of suitable jobs in the town. Therefore, although the working population is 91.7 % of the EAP, the average income is below the estimate for the country family basket: 1500 Soles/month. Most of the EAP only receives wages and salaries of around 500 Soles/month (INEI 2007)². The rapid growth has not allowed proper planning of state agencies to provide water services and sewerage. To request these services from the State, the population established associations, each with its own leader. These leaders were responsible for the negotiations with Congress, the Presidency of the Republic and SEDAPAL, the entity providing the services of water and sewerage.

There are also various interest groups within the area of influence: the unemployed and people with criminal records who cannot work in any company, and for this reason extort businesses in the area. They usually offer their protection services to ensure continuity of operations in exchange for a fee: an amount the company must pay weekly. If the company does not accept the deal, the group creates a conflict with confrontations and fights between them, even with gunfire. Their objective is to blame the company for these riots, stop the progress of these works, and thus pressure them to pay the fee.

Another group of interest is the union of civil construction. They are workers in this sector who are interested in taking advantage of the works carried out in the town. Usually, they give the company a list of local unemployed workers to be hired; however, the first five names are often people with criminal records. Once hired, the practice is to create fighting in order to delay the progress of the work and get additional benefits such as the right to Christmas bonuses, overtime and other bonuses. Finally, another group of interest which also lies in the area is called “vests”. It consists of offenders who offer themselves as custodians of the company and its staff. Usually they are the most feared criminals in the area.

Design of the Territorial Dimension

To ensure completion of the project within the deadline and its execution without going overbudget, a social management team was formed. It was formed by the HR manager, the manager of the Social Responsibility Division, deputy manager, project managers, community liaisons, and industrial relations specialist. This team opted for a strategy of getting close to the local population to avoid social

conflicts that could be generated by the group of unemployed people and the union of civil construction.

This strategy consisted of the following components:

Territory Definition

The social management team first determined the project's zone of influence and defined the various interest groups that existed in the area: the group of unemployed people, the union of civil works, the “vests” and residents' associations. Also, in order to get direct access to the population, they contacted six officials of these associations. These leaders represented around 1200 grassroots leaders.

Knowledge of the Population and Environmental Characteristics

Thanks to the support of social scientists, detailed information on the needs and expectations of the population with respect to water and sewer projects arose. It was identified, for example, that the population was very interested in such services, and they wanted to work on this project. As part of the work plan, a mapping of the institutions of the neighborhood was also carried out: health centers, NGOs, potential local suppliers, and other organizations.

From this information, the social management team and technical project managers developed a plan for recruiting local labor. The social management team presented the project at meetings of local associations: duration, work processes, and ways of working. It was also noted that GyM wanted to cover 100% of its unskilled workforce with residents from the area, but that the right of admission was reserved. The response of the population to this approach was positive. They realized that the project benefited them, and also saw that the company wanted to help the community.

Development of Personal and Local Capabilities

The recruitment plan consisted of two types of training workshops. In the first of these, instructions on occupational safety were given and theoretical sessions on the various tasks took place. The second consisted of the construction of small necessary civil works in different areas of the city: sidewalks, restrooms at school, etc. For these workshops, 25 groups were formed with 20 participants in each. The aim was to involve 250 laborers. Due to a lack of attendance, not all groups were completed. The workshops were a total duration of 1 week. For the implementation of the workshops, the company provided the materials, but the community itself decided what works took place and where these were to be implemented: the

² In 2007, 1US dollar represented an average of 3.128 Soles.

decisions were made at association meetings. The workshops included a final evaluation of the knowledge, the acquired skills and a psychological examination to detect conflicting characters. Those who passed this evaluation were incorporated into the project with all the benefits of a formal worker. Those who failed the assessment were still provided with proof of having participated in these workshops.

During the project, synergies with local suppliers were also sought: hardware, concrete lid producers and delin-eator posts. Organizations that could assist in the treatment of accidents were also contacted.

Using Internal Capabilities

The workshops were based on topics linked to the capabilities of the company. They were led by GyM technicians. The presence of professionals from GyM was also used to organize vocational guidance talks for adolescents in the locality.

Territorial Dimension Management

The social management team was the first to enter the area of project intervention. It oversaw the social diagnosis of the town and was directly responsible for communicating with the population. This contact with the population was permanent: some leaders were given a radio to maintain closer communication. As a result, decisions were reviewed and corrected as new data emerged. Also, the design of recruitment workshops allowed the technical departments of the company to be involved in social management. Since the beginning of the project, the social management team had the support of senior management. Throughout the project, the team demonstrated their skills and strengthened the confidence of senior management.

On the other hand, during the project there was a social learning. The social management team respected the opinion of the local population: infrastructure executed in workshops was decided in assemblies. There was also learning by doing in the practical workshops. The participation of the population also reflects a negotiating attitude. In addition, in the practical workshops, the population contributed with the building of small local works.

The absence of paternalism shows the presence of the political dimension in this project. Although at some point of the project it was necessary to go to state security to communicate the presence of some criminals in the area, during the project, it was not possible to have the support of the local political authority. The normative dimension is reflected in respect to ethics in all project actions. The company did not accept payment of fees at any time. Finally, the innovative attitude is seen in the design of

social management itself: approach with regards to the local population, recruitment workshops and use of internal capabilities of the company.

Results

As a result of these measures, groups of unemployed people and extortionists failed to generate social conflict that would paralyze the works. When they tried, the entire population came to the defense of the project and confronted these groups. Thus the manipulation of civil construction union leaders and groups of unemployed was neutralized.

The work only had 30 days of stoppage, when the mayor, without reasonable justification, did not grant the construction license for some sections of the project. This forced the termination of several workers, however, they signed an agreement pledging to return to the project once the activities restarted.

In order to resolve this impasse, the social management team brought together leaders and explained the situation, pointing out that the mayor had overstepped his authority and was preventing the completion of the project. The leaders contacted their respective bases, secured a meeting with the mayor and demanded the appropriate license. In a few days, the license was obtained.

The project had an impact on local development: small infrastructure and support to local enterprises, and especially the improvement of local employability. In addition, the population felt like they were part of the project: they facilitated the temporary rental of warehouses and supported with the hauling of materials.

The case shows how a definition of the strategy that incorporates the social variable and social management as described in the territorial dimension manages to avoid the generation of social conflicts, although developed in a socially complex environment. In the following section, the conclusions of this work are collected.

Conclusions

The presence of social conflicts motivated by corporate interventions provides evidence that the traditional definition of the strategy is not enough to take advantage of the opportunities presented in some territories. As several authors suggest (Andrews 1971; Ansoff 1965; Chandler 1962; Hofer and Schendel 1978; Miles et al. 1978) this definition focuses on commercial, operational, and financial dimensions but it does not consider social management as a strategic dimension (Porter and Kramer 2006), or consider among its procedures cultural and personal

aspects of the community in which it operates (Kemp et al. 2010). In this sense, this paper proposes a definition of the strategy that takes into account the social and physical variables of the involved territory, namely the territorial dimension.

The aim of the territorial dimension is to prevent the generation of social conflicts that may damage the sustainability of the initiative. To achieve this, the company must assume social management seeking to contribute effectively to local development, as proposed by the WWP model (Cazorla et al. 2013). As Porter and Kramer (2006) suggest, local development support should be viewed from a strategic perspective, not just as a marginal activity: a social responsibility program in which senior management is not fully involved.

Following several authors (Yepes and Aranguren 1998; Wood and Lodgson 2002; Swanson 1995; Gladwin and Kennelly 1995), this document also shows that every business organization involved in a territory becomes, by default, a major player in the locality, and therefore takes on a joint responsibility in local development.

As proposed by the WWP social management model, local development should be seen as the creation of personal skills, which in turn will become local capabilities (Cazorla et al. 2013); hence the importance of interaction, participation, rational dialog, and promotion of ethical values in the town (Yepes and Aranguren 1998).

As these social variables are characteristic of human nature, the territorial dimension of the strategy can be applied in universal contexts: the company is jointly responsible in local development (Yepes and Aranguren 1998; Kooiman 2003; Wood and Lodgson 2002). However, in its application it would be necessary to take into account the restrictions imposed by the WWP model: the presence of some values in the territory, at least amongst the partners involved in the initiative and by whom the model will be built; and an attitude in the company, because the relationship with the communities must be ethical.

On the other hand, attention to the social variable of the strategy will be more relevant in those areas where there is greater cultural and institutional distance between local people and entrepreneurship, and in areas with little local development. This methodology also needs to know the expectations amongst the local population and that there are social problems that can be resolved directly by the company and the population.

In the territorial dimension of the strategy, the real challenge will be to get local actors: political authorities, social associations, local enterprises, public administration, and the population to see business entrepreneurship as an opportunity for development. In order to achieve this, its design and management must be based on the recognition of the role of these stakeholders in the development of the

territory, thus shortening the cultural (Kemp et al. 2010) and institutional distances (Lotila 2010) and the imbalance of power (Calvano 2008). Only then will they feel jointly responsible for the outcome of entrepreneurship.

According to Cazorla et al. (2013), the real interest of the company in the development of the affected population can be reflected in the improvement of local competitiveness. The paper proposes that the improvement in employability is a means to this end. Improvements in the capabilities of local suppliers to collaborate with the project are also another means.

The methodology which was proposed as the territorial dimension of the strategy also shows that the company will simply need to use their own abilities in the generation of those personal qualities and local capabilities.

Finally, the territorial dimension of the strategy fits into what Dieskmeier and Pirson (2009) propose with regards to the desirability of defining a humanistic business model. In this sense, identifying social management as an important component of the strategy suggests business models where cooperation between business and society, cooperation between companies in the same sector and public-private partnerships play an important role in the development of the common good. Thus, new lines of research on cooperation in business are opened.

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